

ORIGINAL

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of)
Billed Party Preference)
for 0+ InterLATA Calls)

CC Docket No. 92-77

ORIGINAL
FILE

COMMENTS OF ADVANCED TELECOMMUNICATIONS
CORPORATION AND LDDS COMMUNICATIONS, INC.

Advanced Telecommunications Corporation ("ATC") and LDDS Communications, Inc. ("LDDS"), by their undersigned counsel, hereby submit these comments in response to the Commission's Notice of Proposed Rulemaking ("Notice")¹ in the above-referenced proceeding.

I. INTRODUCTION

The Notice requests comments on whether the Commission should dismantle "0+" interLATA presubscription and order the implementation of a system whereby "0+" interLATA calls would be routed to local exchange carrier operator service switches which would perform carrier identification functions to determine which interexchange carrier is preferred by the billed party.² Since originally proposed by Bell Atlantic in 1989,³ this scheme has

¹FCC 92-169 (Released May 8, 1992).

²Under this routing architecture, calling card calls would be routed to the IXC selected by the cardholder (in the case of LEC cards), or to the IXC which issued the card. Collect and third number billed (and presumably, person-to-person sent-paid) calls would be routed to the carrier selected by the subscriber whose telephone line is to be billed.

³Bell Atlantic Petition for Rulemaking to Establish Uniform Dialing Plan from Pay Telephones, RM-6723, April 13, 1989.

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been designated "Billed Party Preference."

The Notice sets forth the Commission's tentative conclusion that a nationwide system of Billed Party Preference for all "0+" interLATA calls is in the public interest.⁴ This tentative conclusion is based on a belief that Billed Party Preference will preserve the ubiquity and convenience of "0+" dialing, will "refocus" competition for operator services, and will make operator services more "user friendly."⁵

ATC and LDDS agree there are potential benefits to preserving the convenience of "0+" dialing and refocusing competition on end users. Accordingly, the joint commenters support the principles and benefits which underlie the Commission's proposal. However, these benefits do not require the establishment of a costly and cumbersome routing architecture which would provide only a slight increase in convenience and would not be utilized by third tier carriers and their customers. Therefore, ATC and LDDS do not support the Commission's proposal.

The Commission's tentative conclusion to end "0+" presubscription is founded on two assumptions: (1) Billed Party Preference is technically feasible; and (2) Billed Party Preference addresses the underlying difficulties which have hindered the development of effective operator services competition. ATC and LDDS are not so sanguine about either of these assumptions. Parties filing comments in the Bell Atlantic

⁴Notice, ¶ 13.

⁵Notice, ¶ 16.

proceeding stated that Billed Party Preference will require intense development work, will take years to implement, and will require vast expenditures. Furthermore, Billed Party Preference ignores the fundamental problems affecting competitive operator services.

II. STATEMENT OF INTEREST

ATC, based in Atlanta, Georgia, is one of the largest regional long distance resellers in the country. ATC and its subsidiaries serve hundreds of thousands of business and residential subscribers. ATC provides interstate MTS, including operator-assisted services,⁶ and competes with other IXCs for "0+" presubscription. In addition, ATC issues calling cards which utilize proprietary ("950" or "800") access codes. Similarly, Jackson, Mississippi based LDDS is a full service IXC providing direct dial, operator-assisted, WATS and 800 services and its own calling cards. LDDS' operating subsidiaries serve customers in over 25 states.

As regional IXCs providing a full range of long distance services, ATC and LDDS have similar interests in this proceeding and have elected to file ~~these joint comments.~~ Moreover, pursuant to an agreement and plan of merger, ATC and LDDS intend to merge by the fall of 1992. Accordingly, the new combined

⁶ATC provides operator services to presubscribed residential and business customers, and at aggregator locations. Various ATC subsidiaries also provide "0+" services. These subsidiaries include AmeriCall Systems, Inc. and First Phone of New England, Inc.

company will be subject to the Commission's Orders concerning Billed Party Preference.

**III. BILLED PARTY PREFERENCE IS NOT THE PANACEA
FOR OPERATOR SERVICES COMPETITION**

ATC and LDDS support the customer convenience concerns which appear to underlie the Commission's support for Billed Party Preference. In the abstract, Billed Party Preference would appear to eliminate many of the symptoms of today's imperfectly competitive operator services environment. These symptoms include customer confusion about whether "0+" calling card calls are carried by the card issuer, the inability to use certain billing numbers on some networks, and the general perception that rates for operator services are too high. However, these symptoms relate to structural problems which have little to do with how "0+" calls are routed. Rather, the problems which plague small IXCs providing operator services include, inter alia, the refusal of hundreds of local exchange carriers to provide monopoly billing and collection services for "0+" calls, and AT&T's well-documented chicanery related to its CIID calling cards.⁷ Attention to these important issues could do far more than Billed Party Preference will to alleviate problems with "0+" competition.

⁷See generally CC Docket 92-77, Initial (CIID Card) Comments of ATC at 2-4; Comments of LDDS at 5-8.

A. Billed Party Preference Will Create a Three Firm Oligopoly For Operator Services

If Billed Party Preference is implemented, calling card customers will reasonably expect to be able to originate calls using their preferred carrier from all locations. Because of Billed Party Preference's emphasis on "0+" dialing, these customers will have the incorrect impression that access codes are no longer necessary to reach a preferred carrier. Unfortunately, since only three IXC's currently have nationwide origination capability, only the customers of these IXC's would be able to rely on "0+" dialing to reach their preferred carrier from telephones nationwide. IXC's with regional originating networks -- such as ATC and LDDS -- would not be able to receive "0+" calls dialed from areas where they do not have originating network. Thus, the Commission's plan could have the undesirable effect of creating a three firm market for interexchange operator services, because even large regional carriers would be foreclosed from meaningful participation.⁸

Although the Commission's Notice proposes to solve this problem by the use of secondary OSPs to route such calls, the results of such a plan are not difficult to imagine. Once consumers realize that only AT&T, MCI and Sprint can process "0+"

⁸Moreover, implementation of Billed Party Preference would completely eliminate those firms which provide only "0+" services. There is much debate about whether the practices of some of these firms are in the public interest. With mandatory posting, branding and unblocking, the marketplace will determine whether these carriers should survive. There is no reason to erect a routing scheme with the (perhaps unstated) goal of eliminating them.

calls nationwide, they are likely to flock to these carriers. These carriers will easily be able to tailor their calling card marketing plans to recapture business formerly lost to regional carriers. The Commission's plan will have replaced one form of imperfect competition with another.

B. IXCs Will Opt Out By Not Issuing "0+" Calling Cards

"0+" dialing is an essential element of the Billed Party Preference scheme. IXCs which desire to offer Billed Party Preference "benefits" to their customers will be required to issue IXC calling cards usable on both interLATA and intraLATA "0+" calls. In order to do so, IXCs will be required to make arrangements with every LEC in the United States to ensure that the IXC's calling card is accepted by LECs for intraLATA calls. IXCs will also have to enter into billing and collection agreements concerning the use of their cards for intraLATA calls. For most IXCs, the cost of entering into such agreements would greatly outweigh the minimal benefits of issuing "0+" calling cards. Accordingly, ATC and LDDS believe most IXCs which issue calling cards today will avoid the costs of issuing new cards by continuing to issue calling cards usable only with proprietary dialing sequences. It appears at this time that only the two interexchange carriers that support Billed Party Preference are likely to issue new "0+" calling cards. The joint commenters question the expenditure of hundreds of millions of dollars to erect a byzantine "0+" routing scheme that two or three carriers will use, and most IXCs will "opt out" of.

C. Billed Party Preference Would Improperly Interpose
Local Exchange Carriers In All "0+" Calls

The "pro-consumer" LEC drumbeat about Billed Party Preference obscures the fact that the primary beneficiaries of Billed Party Preference would not be IXCs or their customers, but local exchange carriers themselves. As detailed in the Notice, Billed Party Preference would insert a local exchange carrier into every interLATA "0+" call. For LEC calling card, collect and third number billed calls, a LIDB look-up would determine the routing for the call. For IXC calling card calls, the LEC would perform six digit screening to identify the issuing carrier.⁹ Thus, Billed Party Preference creates another monopoly service for the Bell Operating Companies and other LECs. Construction of this bottleneck will require increased trunking between LEC access tandems and TOPS switches, as well as the installation of additional operator positions. Pacific Bell estimates it will cost over \$200 million to implement Billed Party Preference in Pacific Bell territory.¹⁰ All of this expenditure will create a system with additional post-dial delay and also will require many

⁹See Notice, ¶ 11, fn 19. Of course, the ability to route calls based solely on six digit screening is contingent upon all participating IXCs issuing calling cards in the CIID or 891 format. This is a dubious assumption. ATC and LDDS have issued proprietary calling cards, but not in the CIID or 891 format. In order to participate in Billed Party Preference for their own calling cards, both ATC and LDDS would have to replace over one million (often painstakingly memorized) calling cards with completely renumbered cards. It is unclear to ATC and LDDS how such drastic steps would promote consumer convenience or make operator services more "user friendly."

¹⁰Reply Comments of Pacific Bell and Nevada Bell filed in the Bell Atlantic proceeding, p. 4.

"0+" calls to be handled by two operators instead of one. Consumers will immediately sense this degradation in service quality. Ironically, the LECs will be asking these consumers to bear the substantial costs for these new "services." These LECs anticipate a financial windfall from the approval of Billed Party Preference and its treatment as a new service offering subject to price cap regulation.¹¹ These are the same companies which have been urging the Commission to allow them to price LIDB services at "market" rates.¹²

Interestingly, the LECs which extol the virtues of Billed Party Preference for "0+" interLATA calling are not proposing such a system for intraLATA calls. If Billed Party Preference is as "user friendly" and advantageous as the LECs suggest, these companies should be proposing its use to route all "0+" long distance calls. However, this is not their proposal. By the time it can be implemented, Billed Party Preference may be little more than a vehicle for the LECs to undermine the intraLATA presubscription plans now being ordered or considered by various state utility commissions.¹³

¹¹See Reply Comments of Coastal Automated Communications Corporation filed in the Bell Atlantic proceeding, p. 7.

¹²See generally the Direct Cases filed in the LIDB Access Tariff Investigation, CC Docket 92-24.

¹³ATC and LDDS believe the LECs will likely argue that for intraLATA calls made with a LEC-issued calling card, a LEC is the preferred carrier because a LEC issued the calling card. The LECs are further likely to argue that since LEC territories do not overlap, LEC calling cardholders making "0+" intraLATA calls always "prefer" the LEC serving the originating location of the call.

D. TOCSIA and the Commission's Rules Provide a Sensible Alternative to Billed Party Preference

Consistent with the requirements of the Telephone Operator Services Improvement Act, 47 U.S.C. § 226, the Commission has recently established a nationwide regulatory structure which provides operator services customers with the opportunity to choose freely among different providers of operator services. Under the Commission's rules adopted in CC Docket 91-35, aggregator locations are required to unblock 800 and 950 access, and all OSPs must establish an "800" or "950" access number for their own operator services. In addition, in CC Docket 90-313, the Commission established branding and posting requirements which guarantee consumers are fully informed as to the presubscribed IXC handling their calls. These operator service rules address the concerns which underlie the Billed Party Preference "solution." ATC and LDDS believe that time will prove that these rules are a far more practical solution than Billed Party Preference.

IV.

CONCLUSION

Billed Party Preference is a drastic solution for minor problems which will be solved with continued access code unblocking and customer education. The abstract appeal of Billed Party Preference is far outweighed by its cost and complexity. The plan would reduce competition in the operator services market to a three firm oligopoly, could lead to higher prices for operator services, and would create additional, undesirable LEC bottlenecks in interexchange call routing. ATC and LDDS respectfully requests that the Commission not implement Billed Party Preference.

Respectfully submitted,

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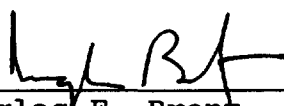
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing COMMENTS OF
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